

VCE Notes

Business Management

Units Three and Four

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UNIT THREE

LARGE-SCALE ORGANISATIONS IN CONTEXT

1.1 – CHARACTERISTICS OF LARGE-SCALE ORGANISATIONS

- An organisation is two or more people working together to a common objective.
- The Australian Bureau of Statistics defines an LSO as having:
 - 200 or more employees.
 - Earns revenue in the millions.
 - Has over \$200 million in assets.
- Multinational corporations are those that are owned and based in one country but operate in many countries around the world.
- Organisations require complex structures to ensure adequate control of all its activities.
- Staff that perform similar roles in an organisation are grouped into the same function in a standard structure.

1.2 – VARIATIONS IN TYPES OF LARGE-SCALE ORGANISATIONS

- A corporation is owned by shareholders with the aim to make a profit.
- Public companies are listed on the ASX and can have an unlimited number of shareholders, whilst private companies are not listed publicly and can only have up to 50 shareholders.
- Public companies – BHP Billiton, Telstra.
- Private companies – Rip Curl, 7 Eleven.
- Government Business Enterprises are owned by the government and aim to carry out government policies and deliver community services. However, they often operate like LSOs in the sense they have a board of directors and aim to make a profit as well.
- Government departments provide essential community service such as health, education and welfare.
- Not-for-profit organisations provide goods, services or funds to prevent particular social problems or to benefit the community.
- They do not aim to make a profit but rather to benefit others.

1.3 – OBJECTIVES AND STRATEGIES OF LARGE-SCALE ORGANISATIONS

- An objective is what an organisation hopes to achieve, a specific goal.
- They provide direction for the company.
- Vision statements are future oriented, regarding what the organisation aspires to become whilst mission statements are about why the organisation exists and how it plans to operate.
- Organisational strategies are the processes the organisation will enact to achieve a specific objective.

1.4 – THE POSITIVE CONTRIBUTION THAT LARGE-SCALE ORGANISATIONS MAKE TO THE ECONOMY

Contribution to economic growth

Employment

- Large-scale organisations employ roughly a third of the private sector work force.
- Aid the GDP.

Exports

- Aid the GDP and the BoP.

Contribution to research and development

- They have the money to spend to conduct extensive research and development which can lead to breakthroughs in more efficient and effective processes.
- Innovation and inventions can arise.

Contribution to infrastructure

- PPPs are formed when organisation help the community and themselves by investing and creating roads, hospitals, education and communication systems etc.

1.5 – THE NEGATIVE CONTRIBUTION THAT LARGE-SCALE ORGANISATIONS MAKE TO THE ECONOMY

- Downsize staff leading to higher unemployment rates.
- Outsource jobs to other countries, leading to higher unemployment and money not going to Australia but other countries.
- Cause great damage to the environment and related cleaning costs through negative externalities in production.

1.6 – INTERNAL AND EXTERNAL (MACRO AND OPERATING) ENVIRONMENTS

Operating environment

- All factors that an organisation comes into contact with when conducting its business.
- Customers.
- Suppliers and creditors.
- Competitors.
- Lobby groups.

Macro environment

- Wider external factors in society that alter the way an organisation operates.
- Globalisation.
- Political influences.
- Technological development.
- Economic influences.
- Social attitudes.
- Legal influences.

1.7 – PERFORMANCE INDICATORS — PROFITABILITY, SALES AND PRODUCTIVITY

- KPIs measure the effectiveness and efficiency of an organisation's performance.
- Good KPIs for measuring financial aspects of an organisation may include:
 - Profitability.
 - Number of sales.
 - Rate of productivity growth.
 - Net Profit.
 - Share Price.
 - Percentage of market share.

1.8 – PERFORMANCE INDICATORS — CUSTOMER AND STAFF SATISFACTION, WASTAGE AND WORKPLACE ACCIDENTS

- When measuring how responsible the organisation is, and how others perceive it, non-financial indicators may be used, such as:
 - Level of staff turnover.
 - Number of customer complaints.
 - Results from a staff/customer survey.
 - Level of wastage.
 - Number of workplace accidents.
 - Quality of products.
- Benchmarking is a good way for an organisation to improve itself and measure against a successful company and copy its methods.

1.9 – STAKEHOLDERS OF LARGE-SCALE ORGANISATIONS

- Stakeholders are people who hold a vested interest in an organisation and its activities.
- Various stakeholders include:
 - Shareholders.
 - Management.
 - Unions.
 - Employees.
 - Customers.
 - Suppliers.
 - Members of the community.
 - Competitors.
- Managing the needs of stakeholders can be difficult as they can either be compatible or conflicting, such as employees wanting a pay rise conflicting with shareholders wanting higher dividends.

INTERNAL ENVIRONMENT OF LARGE-SCALE ORGANISATIONS

2.1 – DIFFERENT MANAGEMENT STRUCTURES

- The management structure of a business is the way it has been formally arranged to reach its objectives.
- Usually represented diagrammatically.
- Allow stakeholders to know the way communication flows through the organisation, possible career paths and the hierarchy of that organisation.



- Three levels:
 - The top management team who focus on long term (strategic) planning. Usually comprised of the board of directors, the CEO and the MD.
 - The middle management team who focus on tactical planning and the objectives of their department. It is usually comprised of department/divisional heads, store managers or plant managers.
 - The frontline management team who focus on operational management. Comprised of the team managers, supervisors etc.
- The characteristics of the pyramid structure are:
 - Rigid lines of communication within the organisation.
 - Numerous levels of management.
 - Distinguished organisational positions.
 - Hierarchical and one-way communication.
 - Centralized control and a distinguished chain of command that shows who is responsible for who.

Chain of command

- The early organisational structure was based on the military's structure.

- It is top-down and one person is ultimately in charge.
- The principal of unity states that one person should only report to one supervisor.

Span of control

- Refers to the grouping of people into divisions. The person in charge of the division is the manager.
- Span of control is the amount of employees a manager is directly responsible to.

Changes in organisational structure

- Globalisation and advances in technology lead to new organisational structures.
- Fewer levels of management allow for quicker responses to changes in the market place as well as a larger amount of responsibility on the employee.

Traditional Structures	New and Emerging Structures
Centralised	Decentralised
Task and activity centred	Employee centred
Specialised separation	Multitasking
Rigid Structure	Flexible Structure
Autocratic style of management	Democratic and laissez-faire styles of management
Performance appraisal: do it our way	Performance Appraisal: Do it the best way
Power is exclusive	Equal, inclusive power sharing
Narrow span with dependant workers	Wide span and autonomous workers
Communication is top-down	Communication is by consensus
Delegation top-down	Delegation is by agreement
Traditional and conservative	Contemporary, modern forward thinking

2.2 - THREE BASIC TYPES OF MANAGEMENT STRUCTURE

- The reason for a structure is to allow work to be completed in a logical manner and to avoid duplication of work.
- Three basic types of structures:
 - Functional Structure
 - Divisional Structure
 - Matrix Structure

Functional structure

- Divides employees by their functions.
- Managers assigned to ensure a smooth running of each function.

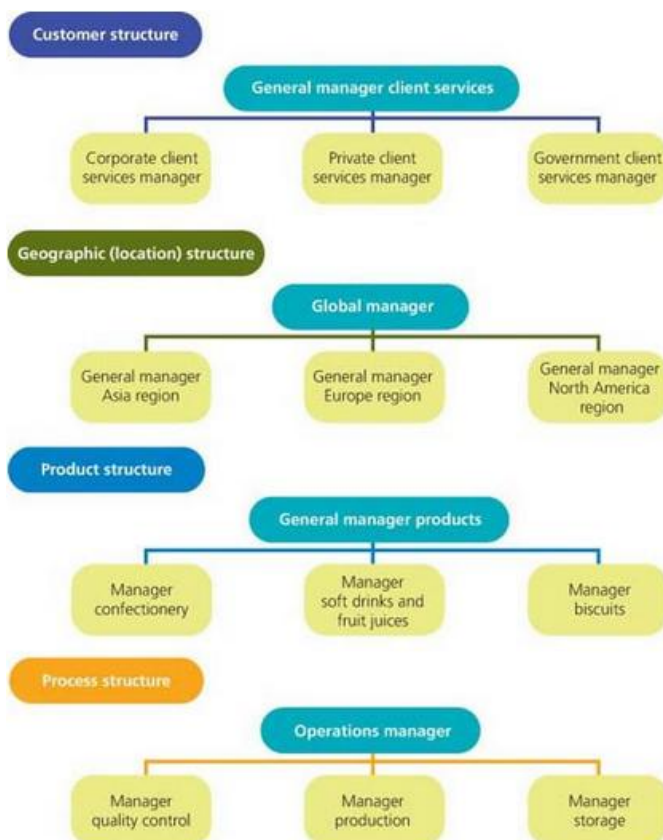


Advantages

- Defined career pathway for employees.
- Opportunities for development of skill and knowledge.
- Efficient use of resources.
- Specialist in charge of each functional area.
- Expertise ensures high productivity and work practices.
- Issues can be solved within functional areas.
- Sideway career paths.

Disadvantages

- Lack of flexibility
- Narrow departmental focus instead of on the wider scheme of things, for the whole organisation.
- Empire building may occur.
- Slow response to changes in the environment due to the separation of functions.



Divisional Structure

- Used by corporations with a range of products or services.
- Same foundation as functional structure.

Advantages

- Expertise on the division is greater.
- Encouragement of cooperation between departments.
- Greater flexibility in adapting to changes in the market and environment, quicker response time.
- Specialists in each area.
- Room for career advancement in the functions.

Disadvantages

- Reduced benefits for corporation as work may be doubled

up between divisions.

- Rivalry between each division.
- Difficulties in communication are more obvious.

Matrix structure

- Bringing specialists from different parts of the organisation based on the functions that they perform.
- Creates a grid over the existing structure.
- Team approach to different projects.
- Basic functional model is still there but representatives oversee several projects
- If a corporation had several projects, the vertical axis could be the projects and the horizontal the different functions, therefore each function would oversee different projects.



Advantages

- Flexible.
- Good communication between departments.
- Enhanced decision making.
- More skills can be learnt.
- Pooled expertise.
- Control is decentralised.
- Horizontal and vertical career paths.

Disadvantages

- Undermines the authority and challenges the principle of unity of command.

2.3 – CORPORATE CULTURE AND ITS DEVELOPMENT

- All organisations have their own corporate culture and develop their own method of doing things.
- Corporate culture is portrayed through policies, objectives, slogans etc.
- The unwritten rules on values and beliefs (how to behave and dress).

Four essential elements:

1. **Values** are the organisation's basic beliefs that are shared amongst employees.
 2. **Symbols** are events or objects that represent something, like sporting events for competitiveness.
 3. **Rituals** are the routine behaviour patterns.
 4. **Heroes** are successful employees who reflect a company's values and can be a role model.
- There are many indicators of an organisation's corporate culture, such as how the type of communication, the dress code, the staff motivation levels and the amount of inter-organisational socialising.
 - Corporate culture can change because of time and trends, new managers or employees, merges or macro factors.
 - Corporate culture is important as a healthy positive culture will lead to higher staff retention rates, will attract new employees and result in greater productivity.

2.4 – KEY MANAGEMENT ROLES

P.O.L.C

Planning, Organising, Leading, Controlling.

Planning

- Process of defining achievable objectives and methods to achieve them.
- Referred to as the primary management role.

Strategic Planning

- 3-5 Years
- Determining what the organisation wants to be.
- Senior managers (MD, CEO).

Tactical Planning

- 1-2 years
- More flexible.
- Assists in implementing the strategic plans.
- Respond to changes easier in the shorter time frame.
- Middle Managers (Functional Managers, Department Heads).

Operational Planning

- Day to Day planning.
- Short term objectives.
- Things like rosters and weekly schedules.
- Frontline managers

Planning Process

D.A.D.I.M

Define, Analyse, Develop, Implement, Monitor

1. **Define the objective-** *Consider where the organisation is headed.*
2. **Analyse the environment** – *Work out where the organisation is right now, use a SWOT.*
3. **Develop alternate strategies-** *develop several strategies to choose from.*
4. **Implement an alternative-** *put the chosen strategy into place.*
5. **Monitor and seek feedback-** *management needs to evaluate how well the strategy is working and set targets.*

Organising

- Coordination of resources and time with tasks.
- Process that is undertaken when arranging resources to match up with tasks.
 1. Determining the work activities- *the work activities needed to achieve the objectives.*
 2. Classifying and grouping activities- *once the work activities have been broken into smaller steps they can be grouped together.*
 3. Assigning work and delegating authority- *determine who will best complete the tasks.*

Leading

- Managers endeavouring to influence or motivate people in the organisation to achieve its objectives.
- Managers can be categorized as transactional and transformational. Transactional is where you are rewarded for good work and transformational is where you are inspired to complete work.
- Managers tell you what to do; leaders inspire you to do it.

Controlling

- The process management goes through when it attempts to evaluate performance and take corrective action to ensure objectives are met.
- Compares what was meant to happen and what ended up happening.
- Changes can be made to ensure large discrepancies between the two are reduced and avoided.
 1. Establish standards in line with the objectives.
 2. Measure performance against those standards or benchmarks.
 3. Make changes where necessary to ensure objectives are met.
- Some things that may need to be controlled in a LSO are finances, employees and resources.

2.5 - POLICY DEVELOPMENT AND ITS APPLICATIONS

- A policy is an established set of guidelines to be followed by all employees.
- Procedures are a series of actions to put a policy into place.
- A simple policy development process is:
 1. Identify the problem or issue.
 2. Research the environment.
 3. Consult stakeholders.
 4. Develop a policy.
 5. Draft the policy to be read by stakeholders.
 6. Revise the changes made.
 7. Approve and distribute the policy.
 8. Monitor the policy.
 9. Evaluate.
- **OR**
 1. Reason for policy to written arises.
 2. Research conducted.
 3. Stakeholders consulted.
 4. Draft is written and revised.
 5. Policy is finalized and distributed.
 6. Evaluated.

2.6 - MANAGEMENT STYLES — AUTOCRATIC AND PERSUASIVE



- Management styles are the attitude and behaviour patterns of managers and usually fit into one of these five categories.

Autocratic management style

- *Do it the way I tell you*
- Managers tend to make all the decisions, keep power to themselves and **tell** employees what to do.
- Employee input is not usually appreciated.
- Motivates through threats and disciplinary action.

Advantages

- Directions are clearly given.
- Good during crises times.
- Power is centralized.
- Employee's roles are clearly set out.
- Fast.
- Disciplined.

Disadvantages

- No employee input allowed.
- Job satisfaction is decreased.
- Creates an '*us and them*' mentality.
- Conflict can arise because everyone is aiming for the approval of the manager.
- Communication is top-down.

Persuasive management style

- *I think it is best if you do it this way*
- Still one way communication but the employees are persuaded to complete tasks the manager's way.

Advantages

- Instructions remain clear and constant.
- The *raison d'être* behind unfavorable decisions is often explained, reducing dissatisfaction.
- Managers can gain some trust from workers through persuasion.
- Employees will be more likely to feel that their feelings are being considered so they will approach tasks more positively.
- Fast.

Disadvantages

- Communication is still top-down.
- Employees may still be frustrated.
- Attitudes and trust may stay negative.

2.7 - MANAGEMENT STYLES — CONSULTATIVE AND PARTICIPATIVE

Consultative management style

- *I put the people first, the task second.*
- Manager consults employees before making decisions.
- Two way communication with more motivation and stronger, healthier bonds.
- Possibly the most common.

Advantages

- Healthier relationships between employees and managers.
- Employee input may be useful in the decision making process.
- Management still has the final say.

Disadvantages

- Slower process.
- Some good ideas may be overlooked due to so many being considered and vice versa.
- Some issues are not suitable to discuss with employees.

Participative management style

- *I believe that people have something valuable to contribute.*
- Management not only consult employees, but give them some responsibilities in the decision making process.
- Better for organisations with flatter structures.

Advantages

- Communication is two way.
- Employee-manager relations will be positive as employees feel useful.
- A wider variety of ideas can be thought of and employees can gain more skills.

Disadvantages

- Reaching decisions and completing tasks is harder to do quickly, a more time consuming process.
- Manager role can be undermined.
- Importance of an organisational structure may also be undermined.
- Internal conflict can arise because everyone has an input.

2.8 - THE LAISSEZ-FAIRE MANAGEMENT STYLE AND SITUATIONAL MANAGEMENT APPROACH

Laissez-faire management style

- Employees assume almost complete responsibility for the workforce. Managers only provide resources and boundaries for the staff to work within.
- Management has no real central role or power.
- They set the objectives but let the staff take the responsibility to achieve it.

Advantages

- Employees feel a sense of ownership over the organisation.
- Nurtures creativity.

Disadvantages

- Loss of control by management.
- Focus of the organisation's objectives may be lost.
- Personal conflicts can arise and be more of a problem.

Situational management

- A manager's style will be determined by their:
 - Personality.
 - Constraints from internal or external environment.
 - The situation.
- Managers can also use the contingency management style where they choose the best style for each situation and change between them.

2.9 - MANAGEMENT SKILLS — COMMUNICATION, DELEGATION, NEGOTIATION AND TEAMWORK

- Soft Skills, or People Skills, are increasingly important for organisations.

Communication

- Transfer of information within and outside of the organisation.
- Communication can be verbal or non-verbal (body language, in writing).
- Two way process of effectively sending and receiving information.

Delegation

- Transfer of authority and responsibility from the manager to an employee to carry out certain tasks.
- Degree to which managers delegate will represent the management style.
- Employees may have skills and ideas to contribute to the task.
- Involves a number of skills:
 - Analysing the job and having a clear understanding of what power is being given.
 - Setting performance standards.
 - Set deadlines and check performance.
 - Selecting appropriate people to delegate to.
 - Provide clear directions and support.
 - Provide feedback after the task has been completed.
- Some tasks should **not** be delegated, like strategic planning or high risk tasks.
- Task that **should** be delegated are the repetitive tasks or ones with a low risk.

Negotiation

- Often called the '*Art of Negotiation*.'
- Combination of discussion and bargaining among parties to produce a win-win situation.
- Negotiation requires certain skills:
 - The manager should set a positive atmosphere for the negotiation.
 - Clear expression of objectives.
 - Dealing with conflict.
 - Sorting out any inconsistencies in facts.
 - Knowing when to compromise and when to let things slide.
 - Making sure all parties are clear on the result and have follow up meetings if necessary.
- When negotiating, you usually wouldn't take a fixed position too early, however it can be intimidating and a tool for you at the same time.

Team Work

- Flatter organisation structures mean that teams now replace layers of organisations and managers take on the role of facilitators.
- Teamwork gives a good atmosphere to businesses and allows for better results.

- Empowers employees.

2.10 - MANAGEMENT SKILLS — PROBLEM SOLVING, DECISION MAKING, TIME AND STRESS MANAGEMENT, EMOTIONAL INTELLIGENCE

Problem solving & decision making

- Identifying strategies and working out the best way to implement them.
- A major part of a manager's time is occupied in making numerous diverse decisions.
- Can be made at all levels.
- Involves making choices among possible courses of action.

D.O.D.D.S.E

Define, Outline, Decide, Develop, Select, Evaluate.

1. **Define** the objective.
 - Be clear on what is wanted from the decision.
 - Make sure it is a problem and not just a symptom of a problem.
2. **Outline** the facts.
 - Gather all facts surrounding the problem.
 - Various sources like records, quotes, observation.
3. **Decide** on the cause of the problem.
 - Analyse the situation and the facts.
4. **Develop** several solutions.
 - To combat the *cause*.
 - Many options mean many choices.
5. **Select** the preferred alternative and implement it.
6. **Evaluate**
 - Make sure you follow it up to find out if the problem was fixed or a symptom.

Conditions in which decisions are made

- **CERTAINTY:** The outcome to each course of action is known.
- **RISK:** The outcome is not fully known.
- **UNCERTAINTY:** Management can't even put probabilities on the result of all solutions.

Time management

- *"Time is the scarcest resource, unless it is managed, nothing else can be managed"* Peter Drucker.
- Ability to prioritise tasks so work is completed efficiently and effectively.
- Logical systematic and planned approach, self discipline needed to adhere to it.
 - Set out objectives.
 - Delegate tasks.
 - Prioritise.

- Allocate time to tasks.
 - Create realistic deadlines.
 - Periodically review operation.
- Must be coupled with self discipline, perseverance and the ability to focus on just the work at hand.
- Many distractions are self made (socialising) or avoidable (improper time management).
- Problems with time may be due to the management style and changes could free up time (Participative is a big time eater).
- Some time wasters are:
 - Crises managers.
 - Poor communication.
 - Delayed/incomplete/inaccurate information.
 - Unnecessarily slow decision making.
 - Poor and unnecessary meetings.
 - Inadequate training to complete tasks.
 - Lack of staff familiarity with organisation (inductions can combat this).
 - Insufficient staff to complete a task.

Stress management

- A little bit of stress is healthy and is a motivator.
- People suffer from distress when the demands of society are beyond their ability to cope.
- Management need to be mindful of the stress they place on employees and do their best to keep the employees relaxed.

Emotional intelligence

- How people handle their emotions and their relationships.
- Ability to use self restraint and compassion when dealing with others.
- Mastery of the EQ has four basic levels:
 1. Perception of own problems and the ability to communicate these with others.
 2. Perception and empathy with other people's emotions.
 3. Capacity to assimilate emotional information into thought.
 4. Capacity to regulate and manage your own and other's emotions.

2.11 - ETHICAL AND SOCIALLY RESPONSIBLE MANAGEMENT OF THE INTERNAL ENVIRONMENT

- The study of what is right and wrong.
- Management ethics is the application of moral standards to management behaviour.

Ethical issues

- Must obey rules and regulations.
- Must not provide misleading information.

- **Eg.**
 - If an employee is promised a promotion, management should follow through with this promise.

Respect for people

- If a manager is respectful, the staff will follow suit.
- **Eg.**
 - Managers would have to deal with an employee if their 'practical jokes' went too far.

Conflict of interest

- Taking advantage of a situation for personal benefit but not the organisation.
- Bribery.

Financial management

- Decisions need to reflect a company's attitudes.
- Not committing fraud (audits combat this).

Encouraging ethical behavior

- Corporate code of conduct prepared to ensure consistency in behaviour.
- Encourage the good behaviour and punish bad.

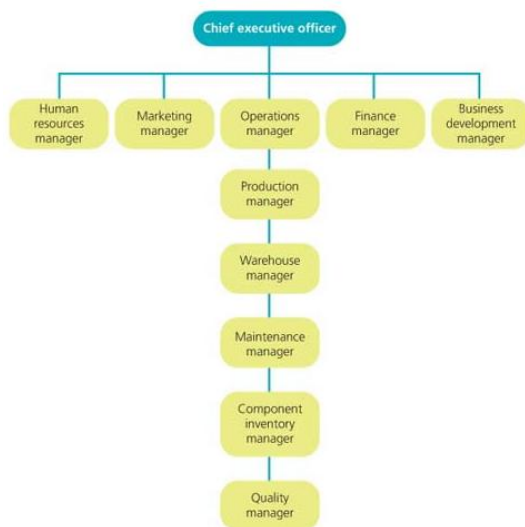
Social responsibility of organisations

- Managing proper behaviour and accepting responsibility for actions.
- Two goals:
 1. Expand the business.
 2. Provide for the society.
- Called *Good Business*.
- Good behaviour will be rewarded with better sales or refunds.
- Google is a socially responsible company.

OPERATING ENVIRONMENT OF LARGE-SCALE ORGANISATIONS

3.1- THE OPERATIONS FUNCTION AND ITS RELATIONSHIP TO BUSINESS OBJECTIVES AND BUSINESS STRATEGY

- Operations management is the responsibility of managers engaged in producing goods or services.
- Front line of the organisation, engage in tactical planning etc.
- Managing the process that transforms resources into finished goods and/or services.
- Creating, operating or controlling a transformational process where inputs are turned into outputs (goods or services).
- Efficiency is imperative in operations.
- Skillful bringing together of resources to create finished goods.
- How the operations function is carried out will directly affect an organisation's competitive position as it will:
 - Establish the level of quality of the good or service.
 - Determine whether products will be available to satisfy customer needs.
 - Affect the overall cost of production.
- A manufacturer will turn inputs into tangible outputs (physical). Production and consumption are not linked.
- Objectives are supported by the operations function; they produce the product and can affect the company greatly.
- A service organisation will turn inputs into services. Consumption usually occurs with the purchase so the customer is directly involved.
- An operations manager will mainly aim to increase productivity.



- Operations managers use the four management roles (**POLC**).
 - *Plan* - Determine the objectives of the operation and how to achieve them.
 - *Organise* – Organise staff to facilitate the production process.
 - *Lead* – Investigate new process to complete tasks.
 - *Control* – Control the quality of the product.

3.2 - KEY ELEMENTS OF AN OPERATIONS SYSTEM IN LARGE-SCALE ORGANISATIONS

- Inputs are all the resources used in the process of production.
- There are six types of inputs:
 1. *Raw Materials* – Consumed or converted in the transformation process.
 2. *Capital Equipment* – the plant, machinery and property necessary to complete the process.
 3. *Labour* – Refers to the people involved in the process.
 4. *Information from a variety of sources* – contribute to the transformation process.
 5. *Time* – and its efficient use.
 6. *Money* – considered the most flexible as it can be converted into capital, materials or labour.
- Processes refer to the actions performed on the inputs to transform them into the finished product.
- Transformation is the conversion of inputs into outputs.
Manufacturers use machinery and robots to complete the transformation process, Service Organisations rely on customer interaction and labour.
- Outputs are the end result of the transformation process, the goods or services they provide.
- Output must always be responsive to customer demands.

3.3 –OPERATIONS, PRODUCTIVITY AND BUSINESS COMPETITIVENESS

- Productivity measure the amount of input against the amount of output in the production process.
- A measure of efficiency.
- Productivity can be improved if the amount of input decreases for the same amount of output or if the amount of output increases for the same amount of input.
- Productivity will also be improved by:
 1. Improved communication between employees and managers.
 2. Automating work processes.
 3. The management style used has a great impact.
 4. Improving design of facilities.
- Organisations that are able to be more productive are able to be more competitive.
- Business competitiveness is the ability of an organisation to sell products against other businesses in a given market.
- If the operations are being managed efficiently, costs will be minimised and quality will increase, as well as delivery time.
- Competitive advantage is when you can produce goods and provide services better than competitors (Faster, better cheaper...).
- Can compete on:
 1. Cost
 2. Differentiation (features, service)

- Competitive scope is the range over which the organisation plans to compete in. Narrow is small, broad is big.
- The strategy of an organisation will help make decisions relating to the competitive advantage and scope.
- The strategy should provide a vision for everyone and ensure consistency in decisions.
- Lean manufacturing is the establishment of systems that will eliminate waste and inefficiencies.
- Waste includes idle time, excess time, unused materials, defective products, discarded materials and excessive wait times.

Competing on cost

- Outsource manufacturing to Asia.
- Find the right economy of scale (the right size of operation with the cheapest cost).
- Other ways:
 - Bulk-buy inputs.
 - Eliminate waste.
 - Produce high volume output.
 - Automate processes.
- Operational Managers that compete on cost will prioritise decision making on reducing costs are improving productivity by:
 - Stable production process.
 - Resources used properly.
 - Streamlining.
 - Update facilities and equipment.
 - Training and development.

Competing on quality

- Aim to produce the best product or service.
- Done by:
 - Viewing quality as a competitive weapon.
 - Publicly communicating the organisations commitment to quality to all members of the organisation.
 - Responding immediately to customer needs.
 - Reducing defect rates in production.
 - Complying with strict design specifications.
 - Tailoring products to customers.
 - Marketing themselves as a quality business.
- Operational managers that compete on quality will prioritise decision making based on ensuring strict application of TQM by:
 - Evaluating processes.
 - Reducing human variables.
 - Extensive use of integrated technology and computerisation.
 - Strong customer links.

Competing on speed of delivery

- Done by:
 - Promote a sense of urgency.
 - Reduce problems with bureaucracy.
 - Quickly identify and act on trends.
 - Respond quickly to changes in demand.
 - Flatten management structures.
- Prioritise decision making to ensure faster transformation processes by:
 - Creating autonomous work teams.
 - Supply chains which work efficiently.
 - Faster feedback.
 - Adapting to the transformation process to reflect the necessity for constant change.

Evaluation of operations management

- Certain KPIs are better for the operations management function.
 - *Efficiency* – Links with lean manufacturing.
 - *Level of waste* – Lean manufacturing and resource usage.
 - *Productivity* – If inputs and processes are managed well, productivity should improve.
 - *Customer satisfaction as measured by the number of repeat orders* – Customers who are happy will be likely to use your services/products again.
 - *Customer satisfaction as measured by number of returns* – If customers continue to return goods because they do not meet their standards, the operations management function may not be operating properly.
 - *Profit* – If the profit is increasing, it may be reflecting the operations function.

3.4 – FACILITIES DESIGN AND LAYOUT

- Facilities or plants that arranged in order achieve the highest levels of efficiency in production.
- Best layout will improve productivity, customer satisfaction and the ability to meet deadlines.
- When choosing the best layout, the operations manager will need to consider:
 - Physical space available.
 - Volume of production.
 - Equipment and technology and how efficiently it will be used.
 - Location of stock and warehousing requirements.
 - Efficient flow of the good or service through the system.
 - Legal regulations.
- Good layouts lead to better efficiency for movement and space, allowing better productivity, cost reductions, higher work satisfaction and better quality products.

Steps in design and layout planning

P.V.A.S.L

Product, Volume, Activities, Space, Layout

1. Product Selection

- Decide the goods and services to be produced.
- Must be able to produce a product of quality and at a competitive price.
- This step should result in clear product definition.

2. Volume

- Decide the volume to be produced.
- Market research can provide answers on how much you may need to make, otherwise you can only make confirmed orders.

3. Activities

- Plan the details of production.
- The physical facilities and human skills and effort required to produce the desired volume.
- Plan for other activities that may occur, such as:
 - Breakdowns.
 - Training.
 - Maintenance.
 - Delivery of inputs and outputs.

4. Space

- Decide the amount of space needed for operations.
- Allow for workers, equipment and materials, as well as future expansion.

5. Layout

- Decide the best layout for operations.
- The arrangement of facilities and workstations in the transformation process.

Manufacturing layouts

Fixed position layout

- Large projects where it would be inefficient to move the product so inputs and resources are brought to one spot.
- Disadvantage is that storage can be hard to find and needs to keep changing.
- Eg. A ship.

Product layout

- Machinery and equipment are arranged in a line and components are added to the product in a sequence of steps.
- Best suited to manufacturing high volume, standardised goods.
- Costs are reduced in the long run but it can be expensive to set up.
- The staff may become bored with repetitive work.
- If there is a problem on the production line it may mean the whole thing needs to be shut down.

Other Layouts

Process layout

- Functional Layout.
- Equipment and machinery are arranged according to the function they serve.
- Good if the organisation deals with a number of products.
- Can be monotonous work.
- Productivity improves as the reliance on other sections is much lower than in the Product Layout.
- Eg. Hospitals, some factories.

Retail layout

- Involves the strategic placement of certain items in specific areas to encourage shopping.
- High impulse in prominent locations.
- Bread and dairy on opposite sides.
- Power items at intervals between aisles.
- Eg. Supermarkets.

Office layout

- Offices rely on the efficient movement of information and proximity to resources.
- Departmental divisions.
- Manufacturing industries may have informal layouts that overlook the factory.
- Service providers may have private rooms to allow privacy (accounting, doctors etc.).

3.5 – MATERIALS MANAGEMENT

- Managing the way materials are received and stored.
- Materials to be managed include:
 - Material inputs to production.
 - Work in process.
 - Finished goods.
 - Spare parts for machinery and equipment.
- Systems that are implemented to ensure the right materials are available in the right numbers for the right cost when required.
- Ensuring they are available when necessary.
- Stock and Inventory is having the resources on hand, this makes sure that they don't run out. It also takes up space and can 'go off.'
- Having a smaller inventory is cheaper but dangerous (Ford Venture strike).
- Materials handling refers to the handling of goods in warehouses and at distribution points. If it is done properly it can lead to savings and reduce accidents and breaks.

Materials planning

- In the initial stages of planning a production plan is necessary.
- Outline the activities to combine resources to produce a good or service.
- Decide what to produce and how + quantity.
- Master production scheduling (MPS) is what is to be produced and when.
 - Tactical planning.
 - What goods and services are to be produced?
 - The volume to be produced.
 - The production methods to be used.
 - Where / when production will take place.
 - The staff required.
- Materials requirement planning (MRP) is an itemised list of all the materials involved in production to meet specified orders. Must consider:
 - Lead times required by suppliers (when do you need to order?).
 - Exact number of inputs.
 - Stock on hand.
 - Purchasing procedures.

Inventory control

- A system used to ensure inventory maintenance costs are kept to a minimum.
- Make sure inputs are available for the operations system.
- Can be done by conducting stock takes.
- JIT ensure the right amount of materials arrive just as they are needed for production, reducing storage costs and the risk of waste.
 - Requires a trustworthy supplier.
 - Benefits include lower storage costs, risk of waste, less insurance to pay, and time is saved as you do not need to travel back and forth from storage.
 - Disadvantages include that it is risky if the supplier isn't trustworthy, the whole process may need to be stopped if there is a problem on their side.

Supply chain management

- The supply chain is the range of suppliers from which an organisation purchases materials and resources.
- Encompasses the planning and management of all activities involved in sourcing and procurement, storage of materials and the development of partnerships with service providers, suppliers and customers.
- Critical as:
 - If materials are not on hand, nothing can be done.
 - If they are of lesser quality, it will lead to bad products.
 - Supply will not be able to reach demand if there is not enough.
- Suppliers are central to these activities:
 - Quality and reliability.
 - Cost of inputs.
 - Timing of delivery of inputs.

- Application of new developments in technology.
- Capacity to supply to the particular specifications of the producer.

3.6 – THE MANAGEMENT OF QUALITY

- Quality refers to the degree of excellence of a good or service and its fitness for its stated purpose.
- Generally, refers to reliability, durability, consistency, service quality and aesthetics.
- When managing quality, you:
 - Minimise waste.
 - Conform to standards.
 - Reduce variance.
- Quality checks/audits are when goods or services are checked either when done or during the process to see if the product conforms to the required standard.

Quality control

- Aim is now to take early corrective action where possible.
- Inspections at various points in the production process.
- Physical, random checks on production lines (batch testing).
- Service organisations can inspect employee performance.
- Four steps in quality control:
 1. Establish performance standards or specifications.
 2. Inspect output for performance.
 3. Compare actual performance against standards.
 4. Take corrective action if necessary.

Quality assurance

- QA.
- The use of a system to achieve set standards.
- Done by an external auditor.
 - ISO 9002.
 - Divided into five parts:
 1. Quality management system.
 2. Management responsibility.
 3. Resource management.
 4. Product realization.
 5. Measurement, analysis and improvement.
 - StandardsMark
- Establish specific procedures, control and recording and document measures.
- Six Sigma is a quality assurance strategy that seeks to eliminate defects in the manufacturing or service processes. The aim is to have only 3.4 defects per million opportunities.
 - Combines elements of TQM with statistical process control and measurement.
 - Based on the following facts:

- Businesses perform processes that turn inputs into a finished good/service.
- Every process has measurable characteristics.
- Measurements follow a frequency distribution.
- Only 3.4 defects per million opportunities are to be allowed.
- With Six Sigma, an organisation would need to:
 - Identify and analyse the processes.
 - Measure the key characteristics.
 - Identify the needs of customers and link them back to measures.
 - Re-design or improve the process.
 - Change the culture of the organisation to one of continuous improvement.

D.M.A.I.C

Define, Measure, Analyse, Improve, Control

Total quality management

- TQM is a management philosophy that promotes continuous improvement in the quality of all processes, goods and services of an organisation.
- Three central principles:
 - Continuous improvement.
 - Customer focus.
 - Employee participation, teamwork and empowerment.
- Create a defect-free production process and maintain a customer focus.
- Can improve the price competitiveness and help establish a competitive advantage.
- May use employee empowerment, continuous improvement and improved customer focus.

Employee empowerment

- Giving them an active role.
- They would be the first to spot a problem and be likely to find a good way to solve it.
- Quality circles are groups of workers who meet to solve quality problems.

Continuous improvement

- Constant evaluation and improvement.
- Assumes there are always better ways of working, quality is a journey.
- Kaizen – improvement in all facets of an organisation.
- Involves benchmarking and identifying the best practice in a process or area of work.

Customer focus

- It should be the responsibility of every employee.

- Internal and external employees need to be looked after.
- Do it right the first time.

3.7 – USE OF TECHNOLOGY

- Up to date technology is needed to compete effectively these days.
- Technology can speed up processes and enable fuller utilization of raw materials.
- Technology that turns inputs into goods and services is broadly known as process technology.
- Research and Development play a vital role in finding new technology and practices.
- Improve quality, increase efficiency and therefore, increase profitability.
- Developments in office technology have allowed people to do more work in less time.
- Customer relationship management (CRM) is the systems which organisations introduce to maintain customer contact.
- Can improve customer service and increase competitiveness as it stores information about current and potential customers.
- Robotics is special forms of technology that can complete complex tasks. Robots are good for manufacturing as they allow precision, consistency and can complete menial jobs. They do not require pay and they do not take breaks.
- Are expensive to buy at the start however.

CAD

- Computer Aided Design.
- Generates designs to allow businesses to create mock ups of products from a series of input parameters.
- Material use can be calculated, as well as what is to be done and costs.

CAM

- Computer Aided Manufacture.
- Software that allows the manufacturing process to become computer directed - by designing and controlling the process.
- Can calculate how much of each input is required.

CIM

- Computer Integrated Manufacturing.
- Uses a computerised system to combine CAD and CAM.
- Product design, analysis, planning, purchasing, costing, inventory control and distribution can be controlled by a computer.

Service industries

- Communication and work is enhanced.
- Customer service, information and costs are affected.

Problems with Technology

- *Cost* – Expensive to buy and needs to be updated very regularly.
- *Training* – Employees need to be trained how to use new technology.
- *Repairs* – Technology can break down easily, making it costly to repair as well as eating up time.
- *Redundancies* – Technology can replace workers.

3.8 – ETHICAL AND SOCIALLY RESPONSIBLE MANAGEMENT OF AN OPERATIONS SYSTEM

NAB CASE STUDY

- NAB's corporate responsibility policies outline that it will lower costs by improving efficiency and minimise waste, as well as how it will work in an ethical and environmentally friendly manner.
- Ethical management is the application of moral standards to management behaviour.
- Socially responsible management refers to the management's awareness of the social and environmental consequences of its actions.
- It can be costly to run an operations system ethically, but it also improves reputation and efficiency in the long run.
- Aspects of ethics and social responsibility that would concern an operations manager:
 1. *Managing inputs appropriately.*
- Make sure there is no serious impact on the environment.
- Keep waste to a minimum.
 2. *Managing suppliers appropriately.*
- Follow guidelines on ethical and socially responsible behaviour.
- Not giving preferential treatment based on gifts or friendships.
 3. *Managing staff appropriately.*
- Make sure there are sufficient facilities that contribute to health and welfare.
 4. *Managing the customer relationship appropriately.*
- Goods are produced to a standard of quality.
- Dangerously defective goods can be harmful.

UNIT FOUR

THE HUMAN RESOURCE MANAGEMENT FUNCTION

4.1 – RELATIONSHIP OF HUMAN RESOURCES TO BUSINESS OBJECTIVES AND STRATEGY

- HR management is a function that has replaced personnel management in most large-scale organisations.
- An organisation's employees are their human resources.
- A human resource manager coordinates all the activities involved in acquiring, developing, maintaining and terminating employees of an organisation.
- Human resource management is the effective management of the relationship between employees and employers.
- An organisation's relationship with an employee begins with acquisition. Then plans and procedures need to be put in place to induct and train the employees. Steps must be taken to maintain them and finally there needs to be a separation, voluntarily or not, of the employee from the organisation.
- Organisational objectives are what an organisation hopes to achieve and the employees are the human resources used to achieve these goals.

Objective	HR Objective	HR Strategy
To be the most reliable supplier.	▪ Increase worker productivity.	▪ Thorough selection process.
Increase sales.	▪ Develop sales skills.	▪ Ongoing training.
Increase profits.	▪ Improve product knowledge.	▪ Regular performance appraisals.
	▪ Improve customer service skills.	▪ Ensure wages are appropriate and not too expensive.
		▪ Training may help in the long run.
Provide a safer workspace.	▪ Reduce the number of accidents.	▪ Establish work teams.
		▪ Train in safety processes.
Lower turnover rate and higher staff satisfaction	▪ Work on retaining staff	▪ Work/Life balance help.

4.2 – EXPECTATIONS OF PEOPLE WORKING FOR LARGE-SCALE ORGANISATIONS

- When employee and employer expectations are met, both staff and customers will be more satisfied.
- Benefits of meeting expectations can include lower turnover rates and therefore a reduction in new-employee related costs.
- Employees want to become more involved in the workplace and employers can do this by empowering them.

4.3 –EMPLOYEE EXPECTATIONS – CONDITIONS OF EMPLOYMENT AND BETTER WORK-LIFE BALANCE.

- Conditions of employment are what an employer has agreed to give an employee in return for their work.
- Basic conditions can include:
 - Hours of work expected.
 - Leave entitlements.
 - Redundancy pay.
- Flexible working conditions allow employees to balance work and family responsibilities.
 - Variable working days.
 - Flexitime.
- Working from home.
- The conditions can also be split into:
 - Physical: clean, well-lit conditions and safe standards.
 - Remuneration: pay and other benefits.
 - Professional environment: staff empowerment, future career paths.
- Work-life balance means achieving the correct combination of time devoted to work and personal life.
- Low productivity and high absenteeism rates may be indicators to work on this balance.
- Work life balance can:
 - Increase productivity.
 - Increase retention.
 - Motivate employees.
 - Reduce stress.
- Employee retention will improve with proper work life balance, in the form of family leave, parental leave, child care and flexibly arrangements.

4.4 – EMPLOYEE EXPECTATIONS – OCCUPATIONAL HEALTH AND SAFETY

- Occupational health and safety is the area of responsibility that employers have to ensure that the workspace is safe for employees and all possible measures are taken to guarantee they are free from harm.
- Occupational Health and Safety Act 2004.
- Training is important.
- The reasons for OH&S are:

- Legal.
- Moral.
- Economic.

Occupational Health and Safety Legislation

1. Workers and the public are to be given the highest level of protection against health and safety risks.
 2. Those who manage or control any risks are responsible for eliminating or reducing them as far as possible.
 3. Employers should promote health and safety in the workplace.
 4. Employees and employers should work together and share information on risks and how to contain them.
 5. An employee input into health and safety issues is an employee entitlement.
- Workplaces may create designated work groups and health and safety representatives.

4.5 – EMPLOYEE EXPECTATIONS – JOB SECURITY

- Whether an employee believes that they are likely to lose their job or not.
- Insecurity may be more commonplace nowadays due to the GFC, high automation, redundancy and outsourcing.
- Expectations about job security may be influenced by:
 - Downsizing.
 - Restructure.
 - Outsourcing.
 - Automation.
- A lack of job security leads to reduced psychological wellbeing, reduced job satisfaction and reduced commitment to the organisation.

4.6 – AN INTRODUCTION TO MOTIVATION AND MASLOW’S MOTIVATIONAL THEORY

- Motivation propels or drives an individual’s level of effort and persistence to do work.
- High levels of motivation can lead to higher levels of productivity.
- Applying personal effort over a sustained period of time.
- To motivate you often need to reward or punish employees.
- Theories can be split into Content theories that focus on the needs that motivate individuals like the need for job security, and process needs that focus on the thought processes that motivate people.

Maslow

- Abraham Maslow – All people have needs to be satisfied and they will work to them being satisfied.
- Split up needs into 5 categories and ranked them in order of importance to employees.
 1. Physiological needs.
 - Food, water.

- Basic wage to meet these needs, basic conditions like lunch breaks.
 - 2. Safety needs.
 - Shelter, clothing.
 - Develops once basic needs have been addressed. Can also be in the form of job security and superannuation.
 - 3. Social needs.
 - Being loved/loving someone.
 - Belonging at work.
 - Supportive management, empowerment.
 - 4. Esteem needs.
 - Promotion, recognition.
 - Two levels:
 1. Where others hold us.
 2. Self esteem.
 - Obvious as workers strive to be recognised.
 - 5. Self-actualisation needs.
 - Growth, development.
 - Acquiring new skills, solving problems, accomplishing a goal.
- Maslow proposed that needs are deficiencies that need to be satiated and if they are satisfied then they cease to become motivators and employees seek to satiate needs higher in the hierarchy.
 - HR managers can use Maslow's theory when trying to motivate workers by being aware that employees will be at different stages of development and a variety of strategies need to be applied.
 - Some workers may be at the third stage where they need to belong, so team work weekends may work well.
 - If workers were at the esteem level, they may require recognition of their achievements.
 - The disagreement with the theory is that people can have more than one need at a time and no research to really support these views.

4.7 – MOTIVATIONAL THEORIES: HERZBERG AND LOCKE

Herzberg

- Motivation Hygiene theory by Herzberg is that there are two levels of need, hygiene and motivation.

Hygiene

- Environment in which you work physical conditions, pay, status. These will provide either satisfaction or dissatisfaction but no motivation.

Motivation

- Sense of recognition, achievement, challenge. Will motivate if the hygiene factors are good.

- Sources of job satisfaction.

- Hygiene can only motivate in the short term. Not likely to substantially add to long term job satisfaction.
- The factors that lead to positive job attitudes do so because they satisfy the individual's need for self-actualisation in his work. Link to Maslow.
- Intrinsically motivating: work is interesting and enjoyable.
- Extrinsically motivating: rewards and pay are the factor as the job is not interesting.

Locke

- Locke said that motivation comes from having clear goals and good feedback.
- In order to motivate, goals must be clear and specific.
- Management by Objectives is a concept that managers should be clear about their objectives before they can pursue any activity.
- Seven steps in setting goals:
 1. Specify objective.
 2. Specify how it will be measured.
 3. Set standards.
 4. Set deadline.
 5. Prioritise goals.
 6. Rate goals for difficulty and importance.
 7. Determine coordination requirements with others.

4.8 – ETHICAL AND SOCIALLY RESPONSIBLE MANAGEMENT

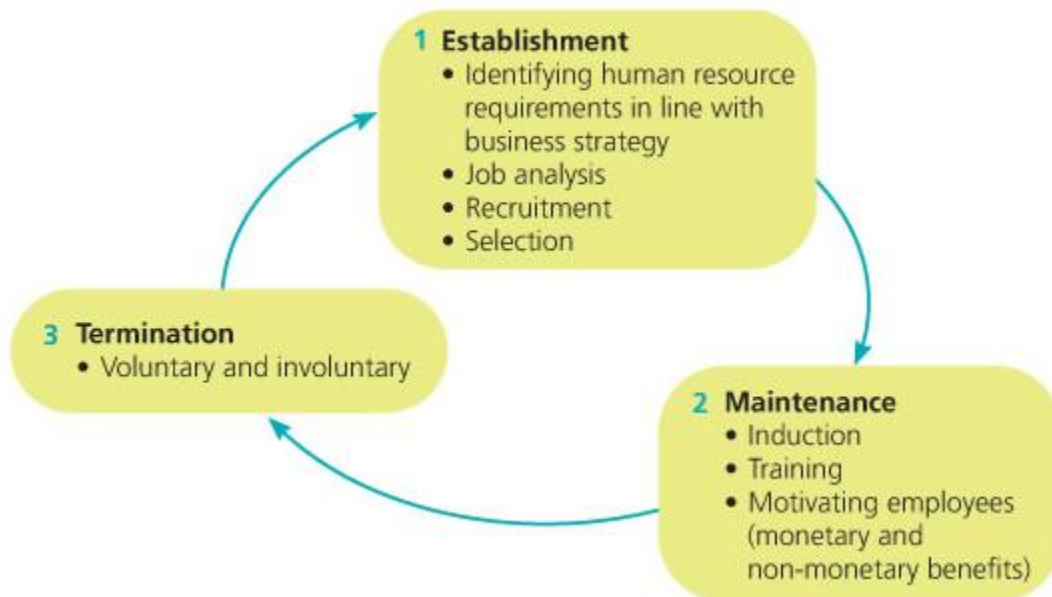
- The HR manager must meet the expectations of what is right and wrong and act as a role model.
- They can establish and review the code of ethics and solve problems.
- HR Manager will typically be involved in shaping an organisation's ethical policies through developing a code of conduct.
- The manager needs a clear understanding of legislation.
- Will need to solve day to day issues.
- Typical dilemmas include:
 - Recruitment.
 - Representation.
 - Privacy.
 - Evaluation.
 - Promotions/Dismissals.

Ethical issues.	Benefits of ethical practices.
Harassment.	Good Image.
Discrimination.	Equal opportunities lead to motivated staff.
Unlawful Dismissal.	Lower turnover.
Compensation.	Costs reduced for compensation/legal.
Stress/Death/Disease.	Improved performance.
Bullying.	Higher motivation and productivity.
Unethical Practices.	Job satisfaction.

THE HUMAN RESOURCE MANAGEMENT FUNCTION

5.1 – THE ESTABLISHMENT PHASE OF THE EMPLOYMENT CYCLE — HUMAN RESOURCE PLANNING, JOB ANALYSIS AND JOB DESIGN

- Before an organisation advertises a new position the need to analyse the organisation's needs in line with their organisational strategies.
- Once staff are employed, steps need to be taken to keep the employee and maintain productivity.
- Finally they need to manage when employees leave an organisation (voluntarily or involuntarily).



Human Resource Planning

- Anticipating the future staffing needs of an organisation.
- Developing strategies to meet the organisation's future needs.
- Forecasting the number of employees available and the number of qualified employees needed in the future.
- Acquisition, development and departure of staff from an organisation.
- Must be based on the organisational strategy.
 - e.g. If the organisation wants to improve productivity, HR may hire new staff with the skills to easily achieve this.

Forecasting HR Demand

- Need to account for both internal and external factors.
 - Internal: planned expansions, new equipment.
 - External: country's economy, government regulations.
- This information allows an organisation to figure out the number of employees required, their qualifications and when they will be needed.

Job Analysis

- Study of an employee's job, the duties performed and the responsibilities held.
- Job analysis includes a job description and specification.
 - Description: Jobs that are performed, tasks completed and responsibilities. The purpose of the job and the conditions it will be performed under.
 - Specification: Skills and experience required.
- Job design is grouping tasks and defining who should perform them, how they should complete it and where.
- Good job design balances the employer's desire for efficiency and the employee's desire for satisfaction.

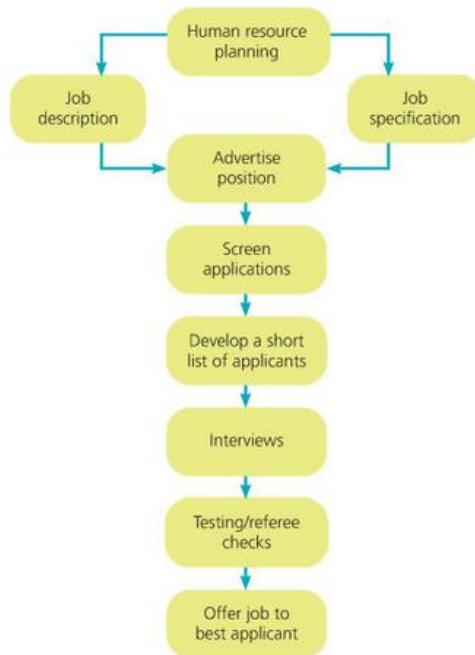
5.2 – THE ESTABLISHMENT PHASE OF THE EMPLOYMENT CYCLE — RECRUITMENT AND SELECTION

- Recruitment is the process of finding and attracting a group of qualified applicants to fill job vacancies.
- Recruiting properly can lead to a competitive advantage.
- Process of finding qualified applicants for a job.
- Can be done internally or externally.

Benefits of Internal	Benefits of External
▪ Motivates employees.	▪ New views.
▪ Uses an established skill set.	▪ Different attitudes and ideas.
▪ Cheaper.	▪ Current staff may not be suitable.
▪ Employee morale may improve.	▪ Wider choice of candidates.
▪ Organisation may know candidate's strengths.	

Disadvantages of Internal	Disadvantages of External
▪ Employees without the right skills may be promoted.	▪ New employees need to adjust to the new environment.
▪ Employees may be dissatisfied if they are not promoted.	▪ New employee may not fit in with the corporate culture.

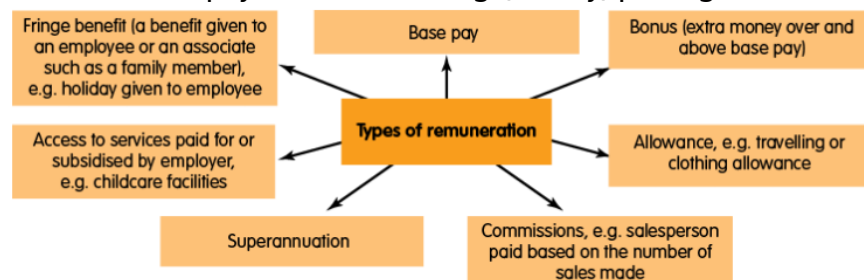
- 'Temp' agencies are available for short term replacements.
- Selection is the process of screening applicants and choosing the most suitable candidate to fill a position.
- Usually the most appropriate employee, not just the most qualified.
- Done through application forms, tests, interviews and background checks.



5.3 –THE ESTABLISHMENT PHASE OF THE EMPLOYMENT CYCLE — EMPLOYMENT ARRANGEMENTS AND REMUNERATION

Arrangement	Benefit	Disadvantage
Part Time	More motivated and can work at peak hours.	Only in for short amounts of time and costly.
Casual	Pay is different and can be employed only when necessary.	Costly.

- Employees are workers who have employment contracts with an organisation.
- Regular part time employees work less than full time hours, have reasonably predictable hours of work and receive entitlement associated with full time work such as sick and annual leave.
- Casual employees are employed on an hourly basis and are not entitled to leave benefits.
- Contractors are people who enter into a contract to supply labour but are not employees and do not have the same rights.
- Remuneration is the financial payment received in return for working.
- Variations of this payment can be wage, salary, packages and salary sacrifice.



5.4 – THE MAINTENANCE PHASE OF THE EMPLOYMENT CYCLE — INDUCTION

- Induction is the process of acquainting new employees with the organisation's history, policies, culture and practices as well as the jobs they will perform.
- Most employees who will leave an organisation will do so in the first six months.

Benefits of Induction	
For Employees	For Employers
Motivation will increase.	Recruitment is expensive so a well inducted employee is likely to last longer in an organisation.
Able to be productive quicker.	Employees will be more productive and motivated.
Sense of purpose and achievement	Morale will be higher.

5.5 – THE MAINTENANCE PHASE OF THE EMPLOYMENT CYCLE — TRAINING AND DEVELOPMENT

- Training is the process of teaching staff how to perform their job more effectively and efficiently by boosting their knowledge and skills. Training is more skill based.
- Development refers to activities that prepare staff to take greater responsibilities in the future. Development is more knowledge based.
- The benefits of training are that the quality of work improves with productivity, there is a greater ability to cope with change and ultimately, objectives can be met.
- Many enterprise agreements focus on improving the flexibility of the workforce.
- Lack of training and development can lead to a higher staff turnover as employees will seek development elsewhere.

Benefits for Employees	Benefits for Employers
<ul style="list-style-type: none"> ▪ Opportunity for promotion. ▪ Increased satisfaction through job performance. ▪ Challenges the employee to try new things and come out of their comfort zone. ▪ Adaptability. ▪ Increased Innovation. 	<ul style="list-style-type: none"> ▪ Higher Productivity. ▪ Achieve Objectives. ▪ Reduced costs due to lower turnover, absenteeism and mistakes. ▪ More capable and flexible workforce. ▪ Fewer OH&S injuries.

- The HR manager must plan for the effective introduction of new technology as well.

Types of Training

- Off-the-job experience – classroom activities.
- On-the-job experience – coaching, job rotation.
- Action learning – through experience.
- Competency based training – identifies skill strengths where further training is required.
- Training within industry – developing skills of front line managers.

Types of Training	
Type	Explanation
Off the Job	Classroom activities, simulations.
On the Job	Coaching, job rotation.
Action Learning	Learning by experience, solving real workplace problems.
Competency Based Training	Identifies the skill strengths and areas where further training is required.
Training within Industry	Specifically improving the skills of first-line supervisors.
Corporate Universities	Form partnerships with academic institutions to develop training.
Training Technologies	Computer based training, multimedia training, training through the internet.

- To gauge the effectiveness of training, it must be evaluated.
- Effective development programs ensure staff are retained and that motivation and commitment are enhanced through promotion opportunities.

5.6 – THE MAINTENANCE PHASE OF THE EMPLOYMENT CYCLE — RECOGNITION AND REWARD

- Effective reward and recognition programs will attract, retain and motivate employees.
- Recognition is acknowledging employees have performed well and may include a reward (eg. Bonus).
- Should reinforce the organisations values and corporate code of conduct.
- Intrinsic rewards are received from the job itself, like a sense of achievement.
- Extrinsic rewards are externally sourced, and may include monetary benefits or fringe benefits.

Examples of possible rewards.			
Job	<u>Intrinsic</u>	<u>Extrinsic</u>	
	<i>Environment</i>	<i>Direct (Cash)</i>	<i>Indirect (Fringe)</i>
Interesting and challenging work.	Good policies and practices.	Wages, salary, commissions.	Insurance.
Responsibility.	Leadership/supervision is effective.	Incentive and performance: <ul style="list-style-type: none"> ▪ Bonus plans. ▪ Share plan. ▪ Pay increase. 	Holidays
Recognition/Feedback.	Good relationships with coworkers.	<i>Non Cash</i>	Company car.
Promotion.	Safe and healthy environment.	Individual awards.	Discount purchases.
Autonomy in job.	Social activities.	Group awards.	Flexible work schedules.
Sense of achievement.	Fair treatment.		Child care.

5.7 – THE MAINTENANCE PHASE OF THE EMPLOYMENT CYCLE — PERFORMANCE MANAGEMENT

- Performance management aims to improve both organisational and individual performance by relating the organisation's performance objectives to the employee's objectives.
- Effective performance management looks at job design and the skills of employees.

Performance Appraisals will:	
Provide Feedback	Providing staff with a clear idea of their performance and recognition for work they have completed.
Be used as a measurement for pay rises and promotion.	Appraisals can give information to base the employee's wage rises/other benefits as well as finding suitable candidate for promotion.
Help monitor the employee selection.	The organisation may not be selecting the right staff to fill positions and the appraisal can highlight this.
Identify the training and development needs of the organisation.	Finding the weaknesses in staff and using this information to improve the workforce.
Identify new objectives to be put in place.	Using information from the appraisals to find new goals for the organisation to improve its skills.

Types of Review	Explanation	Pros	Cons
Management by Objectives.	Employer and employee discuss and agree on the objectives to be evaluated.	<ul style="list-style-type: none"> Employee will agree to the terms. Highlights areas of importance. 	<ul style="list-style-type: none"> Time consuming process.
Essay Format.	Managers keep journals of each employee being appraised.	<ul style="list-style-type: none"> Comprehensive information that can be used. 	<ul style="list-style-type: none"> Time consuming exercise.
Critical Incident.	Similar to the essay format but only recording exceptionally good or bad aspects of work performance.	<ul style="list-style-type: none"> Does not take too much time. Only shows the most important information. 	<ul style="list-style-type: none"> May be missing out on information necessary.
Comparison Format.	Rating scale 1 -5.	<ul style="list-style-type: none"> Easy to compare employees. Simply, straightforward and linked to objectives. 	<ul style="list-style-type: none"> Not as flexible.

- Feedback is necessary for organisational growth and Performance management should be measured against the employee's job description as well as the employee's and the organisation's goals.

A good performance review will avoid:	A good performance review will have:
Personal bias.	A systematic approach to the review.
The halo effect.	Clear goals.
Unclear, vague standards.	Clear Feedback.
Losing sight of the wider organisational objectives.	Emphasis on improvements and continuing staff development.
Being only critical.	Support for the staff with regards to training and other assistance necessary.

5.8 – THE TERMINATION PHASE OF THE EMPLOYMENT CYCLE

- The ending of an employee's employment with the employer.

Types of Termination	
Type	Explanation
Resignation	The employee chooses to end their employment with the organisation.
Involuntary Redundancy	Employees' jobs are no longer needed and there are more employees than necessary. The organisation will remove the positions and offer redundancy packages for employees.
Voluntary Redundancy	Often done before involuntary redundancy, this is when the organisation offers a more attractive redundancy package for any employee who offers to resign. After a certain date, if the number of employees is still too high, involuntary redundancies will occur.
Retrenchment	Due to financial reasons, the organisation will need to terminate the contracts of certain employees.
Retirement	The employee decides that their working life has come to an end and they choose to leave the organisation.
Dismissal	Usually for only extreme circumstances (often when legislation or company policies are breached) the employee will be dismissed.

Types of Employees	
Casual	Can be dismissed at one hour's notice. Usually a position that new employees start on.
Probation	Suitable candidates can be offered a probationary period where they can be easily dismissed (warning required for unacceptable behaviour) and the employee must also be offered advice on how to improve.
Temporary	For short amounts of time, when the contract expires they are automatically terminated.
Fixed Term Contract	At the end of the contract the employment is terminated and it is up to the employer as to whether they will continue working at the organisation.
Permanent	Before they can be dismissed, the employer must give warning and counseling.

EMPLOYEE RELATIONS

6.1 – RELATIONSHIP TO BUSINESS OBJECTIVES AND BUSINESS STRATEGY

- Employee relations is the interplay between and employee and employer during the establishment of the conditions of employment.
- Industrial relations refer to resolution of conflict between the employee and employer but employee relations incorporate all the issues in employer-employee relationship in the workplace.
- Good employee relations is based on:
 - Joint commitment between management and employees to the organisation's objectives.
 - An organisational culture that values ethical behaviour.
 - The promotion of an acceptance about the inevitability of change.
 - An effective use of communication and EQ.
 - Provision of good pay and rewards and return for productive work.
 - Maintenance of good employer-union relationships.
- If a business was seeking to improve its performance it could use employee relations to:
 - Encourage an effective workforce.
 - Focus on certain strategies to retain, reward and motivate good employees.

Scenario: An organisation wishes to introduce new technology into a production process, how would the implementation of this be linked to the employee relations process?

- *Review of Current Practices.*

Changes in both the internal and external environment need to be acknowledged. (For this scenario, the availability of new technology and work practices that will not be able to exist with the new technology).

- *Setting the Agenda.*

Employees and their representatives need to be aware of the details of the strategic plan. (In this scenario, the implications of future staffing needs will need to be discussed).

- *Implement Changes.*

May require the redesigning of job descriptions and criteria within the business, retraining of staff.

- *Evaluation.*

Feedback is required and regular assessment of training and retrenching be discussed.

6.2 – STAKEHOLDERS IN THE EMPLOYEE RELATIONS PROCESS

Stakeholders within the organisation.

- Employers and employees are the main stakeholders in employee relations.

Employers

- Employers and human resource managers handle employee relations daily.
- Specialists may be hired to help out with the relations, especially with the in depth legal knowledge that will be required.

Employees

- Employees are generally more highly educated these days and require more challenging and interesting work as well as to be empowered and some sense of autonomy.
- Employees are now more closely engaged in the employee relations process now.

Stakeholders in the operating environment.

Trade Unions

- Organisations formed by employees in an industry to represent employees for improvements in wages and conditions.
- Centralised industrial relations gave unions a powerful role in employee relations as working conditions were determined for the entire industry and this allowed unions to have a more substantial bargaining position.
- Union membership has declined greatly, due to:
 - A decline in manufacturing industries and increase in service industries.
 - More part-time workers.
 - Decentralisation of wage-fixing systems, meaning unions are not as necessary.
 - Increase in small and medium sized businesses.

Employer Associations

- Organisations that represent employers, created in response to unions.
- Represented employers in the establishing of awards in the centralised system.

Stakeholders in the macro environment.

Peak union bodies

- Most unions are also affiliated with state and federal bodies, like the Australian Council of Trade Unions (ACTU).
- The ACTU form national union policies and represent union movements in courts and tribunals.
- Assists in dispute resolution.

Peak employer bodies

- Employers' peak bodies act in the same way as the peak union bodies.

Governments and government organisations.

Roles the Government plays in Employee Relations	
Role	Explanation
Legislator.	Pass laws that create the legal framework for employee relations.
Employer.	Employ approximately one third of Australian workers.
Economic Manager.	Ensure wages do not lead to inflationary pressures.
Administrator of Government policies on employee relations.	Implement legislation and publish information and guidelines, providing advice to employers and employees.
Representative of Australia internationally.	Foundation member of the International Labour Organisation.

6.3 – HISTORICAL BACKGROUND TO EMPLOYEE RELATIONS IN AUSTRALIA

- The 'Conciliation and Arbitration Act 1904' established the Court of Conciliation and Arbitration as a tribunal for industrial disputes.
- 1907 – Harvester case establishes minimum wage.
- 1956 – Conciliation and Arbitration Court restructured as the Conciliation and Arbitration Commission with its own industrial court.
- Centralised tribunals decided Awards.
- 1950s and 60s – Economic prosperity lead to unions fighting for wage increases above the Award level in collective bargaining.
- Wage indexation (1975-81) ensures wages are increased as inflation increases.

Changes to Employee Relations	
Federal Labour Government 1983 – 1996	<ul style="list-style-type: none"> ▪ Accord is established – unions restrain wage demands in return for social reforms like Medicare. ▪ Became clear the wage increases are linked to improvements in productivity and this would be achieved through enterprise bargaining. ▪ <i>Industrial Relations Act 1988</i> – Australian Industrial Relations Commission (AIRC) increases enterprise bargaining and establishes two streams. ▪ The first is Enterprise flexibility agreements which were non union agreements, and certified agreements, which were made with unions. ▪ Certification required that a 'no disadvantage test' was passed by the new agreement.
Howard Liberal Government 1996 – 2007	<ul style="list-style-type: none"> ▪ <i>Workplace Relations Act 1996</i> – Further decentralisation of the setting of wages and conditions. ▪ Individual employment contracts (Australian Workplace Agreements, or AWAs) introduced. ▪ 'No disadvantage' test had to be passed. ▪ Awards were simplified. ▪ Power of unions restricted. ▪ Work Choices 2005. ▪ Made AWAs the preferred method of arrangements by allowing employers to introduce them at any time to override collective agreements. ▪ Abolished the 'no disadvantage' test. ▪ Unfair dismissal laws removed for organisations with less than 101 employees. ▪ Union power further reduced.
Rudd Government 2008 – 2010	<ul style="list-style-type: none"> ▪ Scrapped Work Choices. ▪ Prevented any new AWAs from being made. ▪ Modernised awards. ▪ Collective bargaining at an enterprise level. ▪ Unions given back some power. ▪ Fair Work Australia replaces the AIRC and other Howard Government bodies. ▪ Reduced unfair dismissal laws to 15 employees.

6.4 – THE DIFFERENCE BETWEEN CENTRALISED AND DECENTRALISED APPROACHES

Centralised

- Government and their tribunals control wage determination.
- Used from 1904 – 1990s.
- Award was determined as a result of union and employer bodies presenting submissions to the Conciliation and Arbitration commission.
- ADR methods of Conciliation used, and arbitration if this failed.

Advantages of centralised system.	Disadvantages of centralised system.
Equal wages, comparative wage justice.	Less flexible.
Government has better control over wage outcomes through indexation and can manage the economy better.	Fewer opportunities for individual businesses to provide improvements in employee conditions in return for productivity increases.
Disputes reduced as Awards cover businesses.	Large unions favoured as they have funds to mount expensive cases.
Consistency with rules as there is only one set.	Less incentive for participative management as wages are not made within the organisation.

Decentralised

- Employees are able to negotiate conditions with their employers individually.
- Enterprise bargaining represents a decentralised system.
- Change work practices to needs and link productivity to wage increases.

Advantages of decentralised system	Disadvantages of decentralised system
Flexible	Inequality between wages.
Improved motivation.	Government has less control.
Productivity improvements can be rewarded.	Disputes can drag on for longer.

6.5 – INDUSTRY-WIDE AWARDS, COLLECTIVE AGREEMENTS AND INDIVIDUAL AGREEMENTS

- Awards apply when no enterprise agreement has been negotiated.
- Awards now provide minimum standards for employees within an industry.

10 National Employment Standards	10 Matters included in modern Awards
1. Maximum weekly hours of regular work.	1. Minimum wage.
2. Right to flexible work arrangements.	2. Types of employment.
3. Parental leave and related entitlements.	3. Arrangements for hours during which work is performed.
4. Annual leave.	4. Overtime rates.
5. Personal, carers and compassionate leave.	5. Penalty rates.
6. Community service leave.	6. Annualised wages and salaries.
7. Long-service leave.	7. Allowances.
8. Public holidays.	8. Details of leave.
9. Notice of termination and redundancy pay.	9. Superannuation.
10. Fair Work Information Sheet	10. Procedures for dispute resolution.

Collective Agreements

- Major method of determining employment conditions.
- Made between an employer and a group representing a majority of employees.
- Enterprise agreements include (along with the 10 National Employment Standards):
 - Nominal expiry date.
 - Dispute settlement procedures.
 - Terms that allow for individual flexibility.
 - Provisions for consultation on major workplace change.
- Negotiations should be conducted in good faith, not about forcing the other side to make certain or accept certain offers.
- Agreements must be approved by Fair Work Australia.

Individual Agreements

- Only form of individual agreement permitted is the individual common law employment contract.
- Must at least meet all minimum award standards.
- If an employee is earning greater than \$100 000 than Awards are excluded as they are not seen as relevant.
- Enforceable in court just as any other legal contract is.

6.6 – THE ROLE OF HUMAN RESOURCE MANAGERS UNDER A DECENTRALISED APPROACH

- Human resource managers will:
 - Negotiate employment agreements.
 - Train managers and supervisors to facilitate in the implementation of agreements.
 - Ensure the agreement is fully implemented.
 - Deal with disputes and conflicts.
- HR managers should:
 1. Be aware of all relevant Awards and legal requirements.
 2. Ensure all relevant information is available to employee representatives.
 3. Consult widely.
 4. Keep an open mind.
 5. Keep the greater organisational goal in mind.
 6. Exercise care with the wording of the agreement.
 7. Lodge the agreement to Fair Work Australia.

6.7 – MANAGEMENT STYLES AND SKILLS IN EMPLOYEE RELATIONS

- Participative or consultative work well in employee relations, but the consultative is the best.
- Encourage employee involvement.
- Autocratic management will be less effective as disputes are likely to arise.
- Employer branding is building a positive image of your firm so that employees feel it is a good place to work.
- Management skills that are useful are:

- People Skills
- Delegation Skills
- Teamwork Skills
- Problem Solving Skills

6.8 – CONFLICT IN EMPLOYEE RELATIONS

- Conflict is the disputes between the employer and employees.
- An industrial dispute is defined as a withdrawal from work by a group of employees, or refusal by an employer to permit some or all employees to work.
- Managerial policy is the most common cause of disputes, may be policies like Award restructuring, conditions of employment, bargaining, discipline etc.
- Before the Accord, wages constituted as the cause of about 47% of disputes.
- Working conditions like leave, hours of work, compensation etc. can also cause disputes.
- Protected action is approved by Fair Work Australia and employees cannot be fired for partaking in it, as long as 24 hours warning is provided.
- Unprotected industrial action has not been approved by Fair Work Australia.

6.9 – RESOLUTION OF CONFLICT

Type of Dispute Resolution	Explanation
Negotiation	<ul style="list-style-type: none"> ▪ Not legally binding. ▪ Two parties. ▪ Informal.
Mediation	<ul style="list-style-type: none"> ▪ Independent third party who doesn't give suggestions. ▪ Not legally binding.
Grievance Procedures	<ul style="list-style-type: none"> ▪ Formalised set of steps to resolve matters.
Conciliation	<ul style="list-style-type: none"> ▪ Independent third party who gives suggestions. ▪ Not legally binding.
Arbitration	<ul style="list-style-type: none"> ▪ Independent third party who provides a legally binding decision.
Common Law Action	<ul style="list-style-type: none"> ▪ Open to any party affected by industrial action. ▪ Sue for damages.

- Employers, when dealing with conflict, should:
 - Treat the grievance seriously and privately.
 - Listen to the employee.
 - Establish the problem and its source.
 - Remain calm.

THE MANAGEMENT OF CHANGE

7.1 – THE CONCEPT OF ORGANISATIONAL CHANGE

- In response to changes in Australia's organisational environment, companies have had to modify their corporate culture, implement new structures, recruit employees with new skills or develop different work practices.
- Successful managers are those who anticipate and adjust to a changing environment (proactive) rather than being passive or unprepared (reactive).
- Poorly managed changes can result in employee resistance, tension, lost productivity and unmet objectives.

7.2 – THE DYNAMIC NATURE OF THE INTERNAL AND EXTERNAL (OPERATING) ENVIRONMENTS AS A SOURCE OF CHANGE

Internal environment as a source of change

Poor Financial Performance

- When Wesfarmers Limited took over the poorly performing Coles (2007) it implemented a five-year recovery process.
- A powerful driving force for change.

Management

- Desire to introduce changes may come from senior or functional managers.

Employees

- May initiate changes that can be introduced to their advantage.

Crisis

- Responding to unplanned changes requires responsive decision making from management in order to reduce disruption to the organisation.

Innovation

- Internal change may come from the desire to develop new and improved ways of doing things.

Corporate Culture

- Strong corporate culture is essential to humanising the workplace and acts as a guide for employee behaviour.
- A good culture can remove prevent employee resistance.

Policies

- Change occurs as new policies are developed and implemented.

Operating environment as a source of change

Customers

- An organisation must always have a customer focus and be responsive to changes in customer tastes and preferences to it can satisfy their needs.

Competitors

- It is important to monitor the activities of their competition and determine what effect they may have on the marketplace.

Suppliers

- New or backup suppliers to ensure they are less vulnerable to supply difficulties.

Interest Groups

- May seek to alter organisational policies or behaviour.

7.3 – THE DYNAMIC NATURE OF THE EXTERNAL (MACRO) ENVIRONMENT AS A SOURCE OF CHANGE

Macro environment as a source of change

Economic Forces

- Recessions or depressions can slow down the ability to change.

Political and Legal Forces

- New legislation will mean organisations will need to alter work practices to comply with requirements, such as changes to industrial relations laws.

Technological Forces

- Need to keep up to date, meaning retraining and financial costs.

Global Forces

- Competing on the global market.
- Goods, money and ideas move quickly and cheaply.

Geographic Forces

- Australia is part of the Asia-Pacific region, exporting to these markets requires international strategies.

Social Forces

- Greater focus on the environment and ethical management processes.

7.4 – DRIVING AND RESTRAINING FORCES FOR CHANGE IN LARGE-SCALE ORGANISATIONS

- The force-field analysis determines which forces drive and which forces resist a proposed change.
- Driving forces initiate and encourage change whilst restraining forces work against the change.
- A force-field analysis can be used to identify balance the driving and restraining forces.

Reasons for resistance to change

Management

- Decisions may be hasty or poorly timed or unclear.
- May be indecisive and put off making a final decision, creating uncertainty.
- Employees will lose confidence.

Employees

- Resist changes that threaten their job status or security.
- Also resist if they are worried they cannot adapt to the new procedures.

Time

- Resistance can occur if there is not enough time for people to think and accept the change.
- Timing may also be poor.

Competitors

- If there is a dominant competitor, the organisation may be reluctant to change as they will always be in the shadow of the competitor.

Low Productivity

- Changes will lead to some disruption to existing operating systems and work patterns whilst it is being implemented.

Organisational Inertia

- The unenthusiastic response from management to proposed change.
- Do not wish to move out of their comfort zone.

Legislation

- May place restriction on certain practices and procedures, disallowing a change to occur.

Cost

- Main financial costs of change are:
 1. New equipment
 2. Redundancy payments
 3. Retraining
 4. Reorganising layout

7.5 – THE KOTTER THEORY OF CHANGE MANAGEMENT

E.F.C.C.E.R.C.I

Establish, Form, Create, Communicate, Empower, Recognise, Consolidate, Institutionalise

1. **Establish** a sense of necessity
 - Examine the current market opportunities and threats and analyse the competitive position to highlight potential opportunities or impending crises.
 - Conduct a SWOT analysis.
2. **Form** a guiding group
 - Establish a team of people to act as facilitators (change agents).
 - Identify key people who will ensure the change is in the right direction.
3. **Create** a vision
 - Provide a sense of direction to achieve a common objective.
 - Desired and end result should be clearly stated.
4. **Communicate** the vision
 - Share the vision with all those it will affect, using a wide variety of communication channels.
 - Advantages must be explained.
 - This will help dispel fear.
 - Ensure all stakeholders know why the change is happening and the benefits that should develop.
5. **Empower** people to fulfill the vision
 - Employees will develop a sense of ownership and work harder to make the changes.
 - The key guiding team needs to make the necessary decisions to enable the changes to take place.
6. **Recognise** and reward achievements
 - Encourage further risk taking by employees and reinforce the positive aspects of change.
 - Ensure there are plenty of events recognised to maintain productivity and motivation.
7. **Consolidate** improvements

- Assemble the benefits attained into the operating procedure and remove and modify policies that no longer match the changed system.
 - Ensure the change becomes continuous and the momentum remains.
- 8. **Institutionalise the changes**
- Show the connections between the new procedures and the success of the organisation.
 - Reinforce the good habits that developed and allow a new culture which is enthusiastic to change.

7.6 – TACTICS FOR EFFECTIVE CHANGE MANAGEMENT

- During change, employees are often neglected and existing communication channels break down.



Managing change effectively – Low risk

Identifying the need for change

- An effective manager should always be scanning the environment to understand factors that will have an impact on the organisation, this way they can identify trends and predict future changes.

Setting achievable objectives

- If changes are detected in the organisation's external environment, the management may need to reassess the objectives of the organisation.
- The objectives should be S.M.A.R.T

Creating a culture of change – encouraging teamwork

- The business culture needs to be supportive of employees to encourage risk-taking.
- Can be done by establishing change agents and having open communication channels.

Managing change effectively – High risk

- High risk tactics have negative outcomes associated with failure and may cause ill-feeling between employees and employers.

Manipulation

- The skilful or devious exertion of influence over someone to get them to do what you want.
- Is used when other tactics will be too expensive or ineffective.
- It can be relatively quick and inexpensive.

Cooptation

- Involving an influential member of a group of potential resistors to take part in the development and implementation of the change process.
- This role given is usually symbolic and carries little authority.
- Can backfire if the individual recognises what is being done and feels used.

Threat

- Use of power to force change resistors to conform.
- Threats can include:
 - Demotion/Loss of promotion.
 - Termination.
 - Transfer.
- In 2006, Qantas flight engineers were given the ultimatum that if they did not change their work practices and manning levels they would lose their jobs. This backfired and resulted in prolonged industrial action.
- Can lead to an increase in resistance, possible sabotage, grievance complaints, cause stress and industrial disputes.
- Is a quick fix.

7.7 – EFFECTIVE CHANGE MANAGEMENT IN THE CONTEXT OF A SIGNIFICANT ISSUE

- Organisations need to implement strategies to effectively manage the changes caused by a number of specific issues, including CSR, business ethics, globalisation etc.

Corporate social responsibility

- Commitment to community beyond legal obligations.
- Telstra using recycled water, Ritchie's community reward scheme.
- Pressures from involvement groups and customers who wish to see the organisation more responsible.
- Restraining forces from shareholders or managers who fear lower dividends.
- Benefits include share prices can outperform non responsible companies, as well as attracting new shareholders or employees.
- Growing pressure to improve CSR, the heart of which is using a triple bottom line approach and monitoring against this standard.

- Organisations should undertake sustainable development.
- Can be managed by:
 - Creating policies of conservation, recycling and restoration.
 - Evaluate the full environmental effects of their operations, perhaps by using sustainability reports.
 - Production processes can be modified to be ecologically sustainable.
- KPIs to use include staff retention and triple bottom line.

Business ethics

- What is morally right and wrong and all the shades of grey between.
- Customers and managers are the main driving force, as it also increases shareholder and new employee interest in the organisation.
- No real restraining force except shareholders possibly not wanting a profit loss.
- Can be managed by:
 - Encourage standards of honesty, integrity and expect ethical behaviour from all employees.
 - Stakeholders should be dealt with honestly and fairly.
 - Organisation should not mislead or be deceptive.
 - A safe work environment should be provided.
 - Corporate code of conduct implemented to provide internal stakeholders with standards to uphold.

Globalisation

- Demands of global managers are greater now than they ever have been.
- The process of increased international trade and social exchanges as a result of the breakdown of trade barriers and improved technology, particularly ICT.
- Costs of globalisation include:
 - Job losses
 - Cultures weakened/destroyed
 - Must compete on global level.
- Driving forces include senior management and shareholders who want greater profits.
- Can be managed by:
 - Global managers need to have a good understanding of how globalisation will influence the organisation, thrive on the unexpected and have good communication skills.
 - Restructuring the organisation, outsources or subcontracting production.
 - Cultural diversity should be given high priority.
- KPIs like percentage of market share, sales and profit should be analysed.

Mergers and acquisitions

- A merger is a combination of two companies to form a new company and acquisition is when one organisation purchases another and no new company being formed.
- ACCC can stop mergers/acquisitions if it will lead to monopolisation.

- Managers and shareholders are the driving forces here.
- Employees would restrain this as they do not want to lose their jobs.
- Can be managed by:
 - KPIs should be developed to evaluate the merger/acquisition.
 - The organisation may need to cut employees in some areas and other may need to be promoted.

Technological development

- As the use of technology increases, organisations and employees need to change the way they work.
- Can be managed by:
 - Restructuring as networks, with allowing employees to telecommute.
 - If employees are working independently, new methods of social contact will need to ensure the employees do not become isolated.
 - Employees will need to acquire new skills to use the technology.
 - Automation of work processes make employees redundant.
- KPIs to use include productivity, level of waste or customer complaints.

Legislative compliance

- In the past few years, the legal framework that Australian organisations work in has changed.
- Driving forces are the government, who create the laws.
- Can be managed by:
 - Having an accurate method of keeping records.
 - Ensuring they are familiar with laws that affect them.
 - Providing ongoing training for employees and managers so they are aware of their obligations.

Privatisation

- GBEs that become part of the private sector (Telstra).
- This changes organisational goals, as there will be more of a focus on marketplace competition and possibly redundancies.
- Can lead to a better performing company as there is a greater emphasis on profits.
- Can be managed by:
 - Creating a new corporate culture and changes to the mission statement and organisational objectives.
 - HR will be involved in recruiting employees to for the new culture and dealing with those who need to be retrenched.
 - Managers may need to adopt new management styles to fit the new culture.

7.8 – THE ROLE OF LEADERSHIP IN CHANGE MANAGEMENT

- Kotter's model is based on:
 - Preparation and planning.
 - Clear communication.
 - Cooperative participation with stakeholders.
- Managers need leadership skills to do this and act as a bridge to support the employees as they cross from existing work practices to new ones.
- Should also display empathy, have listening skills as the way they treat their employees will impact their acceptance or resistance to change.
- Employees are more likely to accept a risk if they feel their manager is concerned with their welfare.
- Successful leaders will need to:
 - Market and promote change to achieve acceptance.
 - Resolve conflicts that may arise.
 - Keep an open mind.
 - Cultivate a sense of stability.
 - Show confidence in people.
 - Communicate a clear vision.

7.9 – POSSIBLE IMPACT OF CHANGE ON THE INTERNAL ENVIRONMENT OF LARGE-SCALE ORGANISATIONS

Major (transformational) and minor (incremental) changes

- Transformational change often results in a restructure of the organisation and will usually end out with a flatter structure, new work systems, greater use of technology and altered corporate culture.
- Incremental change is when only a few employees are affected or the organisation is simply taking new procedures, such as using email instead of fax.
- Often both will be implemented simultaneously.

Impact on organisational structure

- May cause structural change.
- The aim is to streamline operations, improve efficiency and empower employees.

Outsourcing

- Contracting an external organisation to complete non-core tasks.
- Keeps costs lower.

Flat structures

- Middle management positions are abolished and power given to frontline staff.
- Such organisations are characterised by:
 - Fewer formal reporting controls.
 - Sharing of best practice methods.
 - Learning focused for organisational needs.
 - Supportive learning environment.

- Focus on continuous improvement.
- Speeds up communication, higher motivation, greater satisfaction, lower turnover rate.

Work teams

- Teamwork allows organisations to be more flexible and responsive, more motivated, develop broader view of goals and to contribute to the entire organisation.

Impact of change on corporate culture

- Changes in the external or internal environments should be reflected in an organisation's culture.
- Eg. Telstra had a monopoly on telecommunications for decades, but the deregulation of this industry and privatisation of Telstra meant the organisation needed to adopt a new mindset.

Impact of change on human resource management

- Adjustments to HRM are necessary to improve effectiveness of changes made in other components.
- Recruitment and selection must be altered to reflect the need for individuals who possess knowledge and skills required to handle changing circumstances.
- Termination procedures must be put in place in case of redundancies.
- Performance appraisals and rewards must be used to reinforce the new attitude and behaviors to be enacted.
- Flexible working arrangements implemented to attract and maintain skilled employees.
- Clear vision of the organisation's goals and direction need to be developed and communicated.

Impact of change on operations management

- Organisations are always seeking to increase productivity and improve their competitive advantage.
- Organisations have refitted and reorganized their factories to take advantage of technology.
- Flexible manufacturing allowing plants to be smaller, more specialised and closer to important markets.
- Emphasis on quality assurance, quality control and TQM.